

118TH CONGRESS
1ST SESSION

H. R. 4119

To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 2023

Ms. LEE of California (for herself, Ms. OCASIO-CORTEZ, Mrs. WATSON COLEMAN, Ms. NORTON, Mr. POCAN, Ms. OMAR, Ms. LEE of Pennsylvania, Mr. MCGOVERN, Ms. CHU, Mr. TAKANO, Ms. SCHAKOWSKY, Mr. HUFFMAN, Ms. JAYAPAL, and Ms. PINGREE) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tax on Wall Street
5 Speculation Act”.

1 **SEC. 2. TRANSACTION TAX.**

2 (a) IN GENERAL.—Chapter 36 of the Internal Rev-
3 enue Code of 1986 is amended by inserting after sub-
4 chapter B the following new subchapter:

5 **“Subchapter C—Tax on Trading Transactions**

“Sec. 4475. Tax on trading transactions.

6 **“SEC. 4475. TAX ON TRADING TRANSACTIONS.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed
8 a tax on the transfer of ownership in each covered trans-
9 action with respect to any security.

10 “(b) RATE OF TAX.—The tax imposed under sub-
11 section (a) with respect to any covered transaction shall
12 be the applicable percentage of the specified base amount
13 with respect to such covered transaction. The applicable
14 percentage shall be—

15 “(1) 0.5 percent in the case of a security de-
16 scribed in subparagraph (A), (B), or (E) of sub-
17 section (e)(1),

18 “(2) 0.10 percent in the case of a security de-
19 scribed in subparagraph (C) of such subsection, and

20 “(3) 0.005 percent in the case of a security de-
21 scribed in subparagraph (D) of such subsection.

22 “(c) SPECIFIED BASE AMOUNT.—For purposes of
23 this section, the term ‘specified base amount’ means—

24 “(1) except as provided in paragraph (2)—

1 “(A) in the case of any security described
2 in subparagraph (A), (B), (C), or (E) of sub-
3 section (e)(1), the fair market value of the secu-
4 rity (determined as of the time of the covered
5 transaction), and

6 “(B) in the case of any security described
7 in subparagraph (D) of such subsection, the
8 fair market value of the underlying investment
9 with respect to such security (determined as of
10 the time of the covered transaction), and

11 “(2) in the case of any payment described in
12 subsection (h), the amount of such payment.

13 “(d) COVERED TRANSACTION.—For purposes of this
14 section, the term ‘covered transaction’ means—

15 “(1) except as provided in paragraph (2), any
16 purchase if—

17 “(A) such purchase occurs or is cleared on
18 a facility located in the United States, or

19 “(B) the purchaser or seller is a United
20 States person, and

21 “(2) any transaction with respect to a security
22 described in subparagraph (D) of subsection (e)(1),
23 if—

24 “(A) such security is traded or cleared on
25 a facility located in the United States, or

1 “(B) any party with rights under such se-
2 curity is a United States person.

3 “(e) SECURITY AND OTHER DEFINITIONS.—For pur-
4 poses of this section—

5 “(1) SECURITY.—The term ‘security’ means—

6 “(A) any share of stock in a corporation,

7 “(B) any partnership or beneficial owner-
8 ship interest in a partnership or trust,

9 “(C) any note, bond, debenture, or other
10 evidence of indebtedness, other than a State or
11 local bond the interest of which is excluded
12 from gross income under section 103(a),

13 “(D) any derivative, or

14 “(E) any digital asset (as defined in sec-
15 tion 6045(g)(3)(D)).

16 “(2) DERIVATIVE.—The term ‘derivative’
17 means any contract (including any option, forward
18 contract, futures contract, short position, swap, or
19 similar contract) the value of which, or any payment
20 or other transfer with respect to which, is (directly
21 or indirectly) determined by reference to one or
22 more of the following:

23 “(A) Any share of stock in a corporation.

24 “(B) Any partnership or beneficial owner-
25 ship interest in a partnership or trust.

1 “(C) Any evidence of indebtedness.

2 “(D) Any real property.

3 “(E) Any commodity which is actively
4 traded (within the meaning of section
5 1092(c)(4)).

6 “(F) Any currency.

7 “(G) Any rate, price, amount, index, for-
8 mula, or algorithm.

9 “(H) Any other item as the Secretary may
10 prescribe.

11 Except as provided in regulations prescribed by the
12 Secretary to prevent the avoidance of the purposes
13 of this section, such term shall not include any item
14 described in subparagraphs (A) through (H).

15 “(3) UNDERLYING INVESTMENT.—The term
16 ‘underlying investment’ means, with respect to any
17 derivative, any item—

18 “(A) which is described in any of the sub-
19 paragraphs (A) through (H) of paragraph (2)
20 (or any item substantially the same as any such
21 item), and

22 “(B) by reference to which the value of the
23 derivative, or any payment or other transfer
24 with respect to the derivative, is determined ei-
25 ther directly or indirectly.

1 “(4) TREATMENT OF EXCHANGES.—

2 “(A) IN GENERAL.—An exchange shall be
3 treated as the sale of the property transferred
4 and a purchase of the property received by each
5 party to the exchange.

6 “(B) CERTAIN DEEMED EXCHANGES.—In
7 the case of a distribution treated as an ex-
8 change for stock under section 302 or 331, the
9 corporation making such distribution shall be
10 treated as having purchased such stock for pur-
11 poses of this section.

12 “(f) EXCEPTIONS.—

13 “(1) EXCEPTION FOR INITIAL ISSUES.—No tax
14 shall be imposed under subsection (a) on any cov-
15 ered transaction with respect to the initial issuance
16 of any security described in subparagraph (A), (B),
17 (C), or (E) of subsection (e)(1).

18 “(2) EXCEPTION FOR CERTAIN TRADED SHORT-
19 TERM INDEBTEDNESS.—A note, bond, debenture, or
20 other evidence of indebtedness which—

21 “(A) is traded on a trading facility located
22 in the United States, and

23 “(B) has a fixed maturity of not more
24 than 60 days,

1 shall not be treated as described in subsection
2 (e)(1)(C).

3 “(3) EXCEPTION FOR SECURITIES LENDING AR-
4 RANGEMENTS.—No tax shall be imposed under sub-
5 section (a) on any covered transaction with respect
6 to which gain or loss is not recognized by reason of
7 section 1058.

8 “(g) BY WHOM PAID.—

9 “(1) IN GENERAL.—The tax imposed by this
10 section shall be paid by—

11 “(A) in the case of a transaction which oc-
12 curs or is cleared on a facility located in the
13 United States, such facility, and

14 “(B) in the case of a purchase not de-
15 scribed in subparagraph (A) which is executed
16 by a broker (as defined in section 6045(c)(1)),
17 the broker.

18 “(2) SPECIAL RULES FOR DIRECT, ETC.,
19 TRANSACTIONS.—In the case of any transaction to
20 which paragraph (1) does not apply, the tax imposed
21 by this section shall be paid by—

22 “(A) in the case of a transaction described
23 in subsection (d)(1)—

24 “(i) the purchaser if the purchaser is
25 a United States person, and

1 “(ii) the seller if the purchaser is not
2 a United States person, and

3 “(B) in the case of a transaction described
4 in subsection (d)(2)—

5 “(i) the payor if the payor is a United
6 States person, and

7 “(ii) the payee if the payor is not a
8 United States person.

9 “(h) CERTAIN PAYMENTS TREATED AS SEPARATE
10 TRANSACTIONS.—Except as otherwise provided by the
11 Secretary, any payment with respect to a security de-
12 scribed in subparagraph (D) of subsection (e)(1) shall be
13 treated as a separate transaction for purposes of this sec-
14 tion, including—

15 “(1) any net initial payment, net final or termi-
16 nating payment, or net periodical payment with re-
17 spect to a notional principal contract (or similar fi-
18 nancial instrument),

19 “(2) any payment with respect to any forward
20 contract (or similar financial instrument), and

21 “(3) any premium paid with respect to any op-
22 tion (or similar financial instrument).

23 “(i) ADMINISTRATION.—The Secretary shall carry
24 out this section in consultation with the Securities and Ex-

1 change Commission and the Commodity Futures Trading
2 Commission.

3 “(j) GUIDANCE; REGULATIONS.—The Secretary
4 shall—

5 “(1) provide guidance regarding such informa-
6 tion reporting concerning covered transactions as the
7 Secretary deems appropriate, including reporting by
8 the payor of the tax in cases where the payor is not
9 the purchaser, and

10 “(2) prescribe such regulations as are necessary
11 or appropriate to prevent avoidance of the purposes
12 of this section, including the use of non-United
13 States persons in such transactions.

14 “(k) WHISTLEBLOWERS.—See section 7623 for pro-
15 visions relating to whistleblowers.”.

16 (b) PENALTY FOR FAILURE TO INCLUDE COVERED
17 TRANSACTION INFORMATION WITH RETURN.—Part I of
18 subchapter B of chapter 68 of the Internal Revenue Code
19 of 1986 is amended by inserting after section 6707A the
20 following new section:

21 **“SEC. 6707B. PENALTY FOR FAILURE TO INCLUDE COV-**
22 **ERED TRANSACTION INFORMATION WITH RE-**
23 **TURN.**

24 “(a) IMPOSITION OF PENALTY.—Any person who
25 fails to include on any return or statement any informa-

1 tion with respect to a covered transaction which is re-
2 quired pursuant to section 4475(j)(1) to be included with
3 such return or statement shall pay a penalty in the
4 amount determined under subsection (b).

5 “(b) AMOUNT OF PENALTY.—Except as otherwise
6 provided in this subsection, the amount of the penalty
7 under subsection (a) with respect to any covered trans-
8 action shall be determined by the Secretary.

9 “(c) COVERED TRANSACTION.—For purposes of this
10 section, the term ‘covered transaction’ has the meaning
11 given such term by section 4475(d).

12 “(d) AUTHORITY TO RESCIND PENALTY.—

13 “(1) IN GENERAL.—The Commissioner of In-
14 ternal Revenue may rescind all or any portion of any
15 penalty imposed by this section with respect to any
16 violation if rescinding the penalty would promote
17 compliance with the requirements of this title and
18 effective tax administration.

19 “(2) NO JUDICIAL APPEAL.—Notwithstanding
20 any other provision of law, any determination under
21 this subsection may not be reviewed in any judicial
22 proceeding.

23 “(3) RECORDS.—If a penalty is rescinded under
24 paragraph (1), the Commissioner shall place in the
25 file in the Office of the Commissioner the opinion of

1 the Commissioner with respect to the determination,
2 including—

3 “(A) a statement of the facts and cir-
4 cumstances relating to the violation,

5 “(B) the reasons for the rescission, and

6 “(C) the amount of the penalty rescinded.

7 “(e) COORDINATION WITH OTHER PENALTIES.—The
8 penalty imposed by this section shall be in addition to any
9 other penalty imposed by this title.”.

10 (c) CLERICAL AMENDMENTS.—

11 (1) The table of sections for part I of sub-
12 chapter B of chapter 68 of such Code is amended
13 by inserting after item relating to section 6707A the
14 following new item:

“Sec. 6707B. Penalty for failure to include covered transaction information
with return.”.

15 (2) The table of subchapters for chapter 36 of
16 the Internal Revenue Code of 1986 is amended by
17 inserting after the item relating to subchapter B the
18 following new item:

“SUBCHAPTER C. TAX ON TRADING TRANSACTIONS”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to transactions after December 31,
21 2023.

1 **SEC. 3. OFFSETTING CREDIT FOR FINANCIAL TRANS-**
2 **ACTION TAX.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 is amended by inserting after section 25E the fol-
6 lowing new section:

7 **“SEC. 25F. FINANCIAL TRANSACTION TAX PAYMENTS.**

8 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
9 gible individual, there shall be allowed as a credit against
10 the tax imposed by this chapter for the taxable year an
11 amount equal to the tax paid during the taxable year
12 under section 4475 with respect to any covered trans-
13 action in which the taxpayer is a beneficial owner of the
14 security transferred in such covered transaction.

15 “(b) SPECIAL RULE.—If the tax imposed under sec-
16 tion 4475(a) with respect to any covered transaction is
17 paid by any person other than 1 or more beneficial owners
18 of the security transferred in such covered transaction, the
19 determination for how such tax is allocated to such bene-
20 ficial owners shall be made in a reasonable manner not
21 inconsistent with regulations or other guidance prescribed
22 by the Secretary.

23 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
24 GROSS INCOME.—

25 “(1) IN GENERAL.—Subsection (a) shall not
26 apply to a taxpayer for the taxable year if the modi-

1 fied adjusted gross income of the taxpayer for the
2 taxable year exceeds \$50,000 (\$75,000 in the case
3 of a joint return and one-half of such amount in the
4 case of a married individual filing a separate re-
5 turn).

6 “(2) MODIFIED ADJUSTED GROSS INCOME.—
7 For purposes of paragraph (1), the term ‘modified
8 adjusted gross income’ means adjusted gross in-
9 come—

10 “(A) determined without regard to sections
11 86, 893, 911, 931, and 933, and

12 “(B) increased by the amount of interest
13 received or accrued by the taxpayer during the
14 taxable year which is exempt from tax.

15 “(3) INFLATION ADJUSTMENT.—

16 “(A) IN GENERAL.—In the case of any
17 taxable year beginning after 2024, each dollar
18 amount referred to in paragraph (1) shall be in-
19 creased by an amount equal to—

20 “(i) such dollar amount, multiplied by

21 “(ii) the cost-of-living adjustment de-
22 termined under section (1)(f)(3) of the In-
23 ternal Revenue Code of 1986 for the cal-
24 endar year in which the taxable year be-

1 gins, by substituting ‘2023’ for ‘2016’ in
2 subparagraph (A)(ii) thereof.

3 “(B) ROUNDING.—If any amount as ad-
4 justed under subparagraph (A) is not a multiple
5 of \$50, such amount shall be rounded to the
6 nearest multiple of \$50.

7 “(d) ELIGIBLE INDIVIDUAL.—

8 “(1) IN GENERAL.—The term ‘eligible indi-
9 vidual’ means, with respect to any taxable year, an
10 individual who—

11 “(A) has attained the age of 18 as of the
12 last day of such taxable year, and

13 “(B) is a citizen or lawful permanent resi-
14 dent (within the meaning of section 7701(b)(6))
15 as of the last day of such taxable year.

16 “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—
17 For purposes of paragraph (1), an individual de-
18 scribed in any of the following provisions of this title
19 for the preceding taxable year shall not be treated
20 as an eligible individual for the taxable year:

21 “(A) An individual who is a student (as
22 defined in section 152(f)(2)) for the taxable
23 year or the immediately preceding taxable year.

24 “(B) An individual who is a taxpayer de-
25 scribed in subsection (c), (d), or (e) of section

1 6402 for the immediately preceding taxable
2 year.”.

3 (b) CLERICAL AMENDMENT.—The table of sections
4 for subpart A of part IV of subchapter A of chapter 1
5 of such Code is amended by inserting after the item relat-
6 ing to section 25E the following new item:

“Sec. 25F. Financial transaction tax payments.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2023.

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